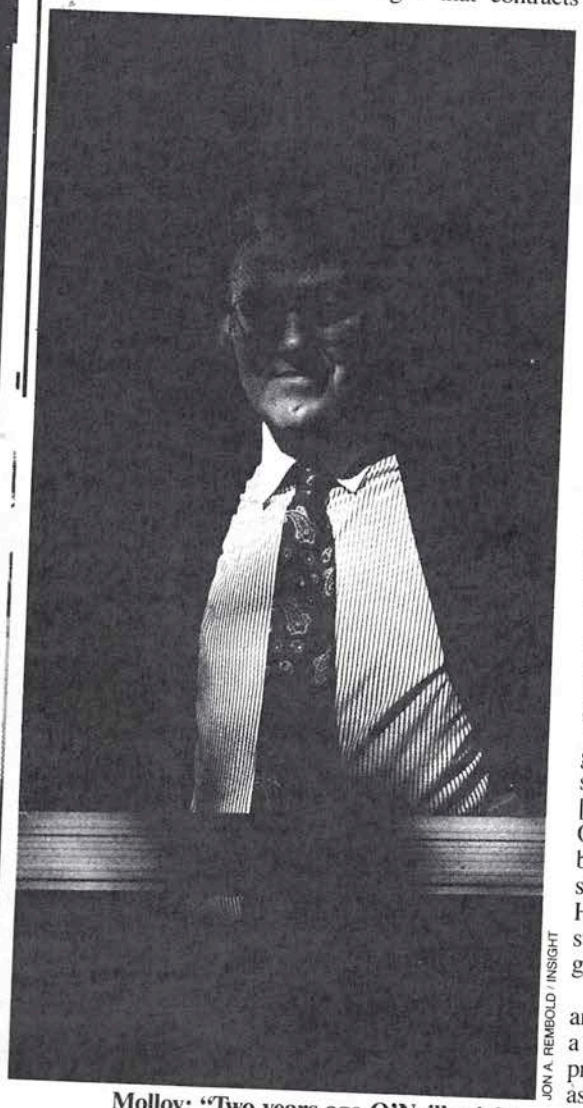
Bad Blood Between Founders Threatens Recovery Houses

SUMMARY: Oxford House, which since 1975 has spread its self-run and self-supported drug and alcohol recovery centers across the country, has found trouble upstairs. One of its cofounders has accused another of essentially using the program to enrich himself. Amid the charges and negative publicity, bankruptcy looms for the program.

Grave allegations against the chief executive officer of Oxford House have shaken the fast-growing, 24-state alcohol and drug recovery program. In a letter dated Oct. 8 that was mailed to state officials and charitable foundations, a cofounder of the 15-year-old organization, John V. O'Neill, charged that contracts were signed, exorbitant personal salaries were negotiated and junkets were enjoyed by CEO J. Paul Molloy without board knowledge or authorization.



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Molloy: "Two years ago O'Neill might have called me his best friend."

Using federal grants, O'Neill wrote, "Molloy sought to become the first [paid] Oxford House employee at $120,000 per year with fringe benefits raising his compensation to $168,000 per year. . . . The salary figure Molloy hoped to get was more than the secretary of health and human services" earns.

O'Neill wrote two similar letters months earlier to Oxford Houses around the country and to Health and Human Services' Alcohol, Drug Abuse and Mental Health Administration, known as ADAMHA, which provides block grants to states for short-term loans to many Oxford Houses.

In response to the October letter, the Washington law firm of Schnader, Harrison, Segal & Lewis was retained by the board of directors of Oxford House Inc. An attorney for the firm, Thomas Earl Patton, wrote to O'Neill on Oct. 25 threatening to sue and demanding a retraction of the charges against Molloy. "Please be assured that Oxford House can no longer ignore your campaign to destroy it and to tortiously interfere with its pending and proposed contractual relations," the letter said.

Oxford House Chief Financial Officer Charles van der Burgh says bankruptcy looms for the organization, which has grown from eight recovery houses in the Washington area in 1975 to a national program of 167 houses. "I'm counting the shekels," he says. "We haven't received a [grant] payment in over a month because of O'Neill's letters. The states where I have big contracts of $65,000 to $120,000 at stake — New York, Texas, New Jersey, Hawaii, the Virgin Islands — those are all stopped." (New York has since said it will go forward with its grants.)

On Nov. 13, the Alcohol, Drug Abuse and Mental Health Administration rejected a $980,000 grant for Oxford House. The proposal was cited by O'Neill in his letter as an example of Molloy's abuse of power. Roberta S. Wilhelm, chief of the contracts management branch at the agency's Office for Treatment Improvement, says, "The decision was not a result of the letter." Characterizing the rejection of the Oxford House proposal as "a critical blow," van der Burgh says "the survivability of the program depended on the contract."

O'Neill, who was contacted on several occasions, declined to be interviewed, saying only, "Everything I wrote is true."

Molloy, another Oxford House cofounder, calls the situation "sad." He says, "Two years ago O'Neill might have called me his best friend. We got sober together. Now he seems willing to tear the whole thing down, just out of spite, or in anger."

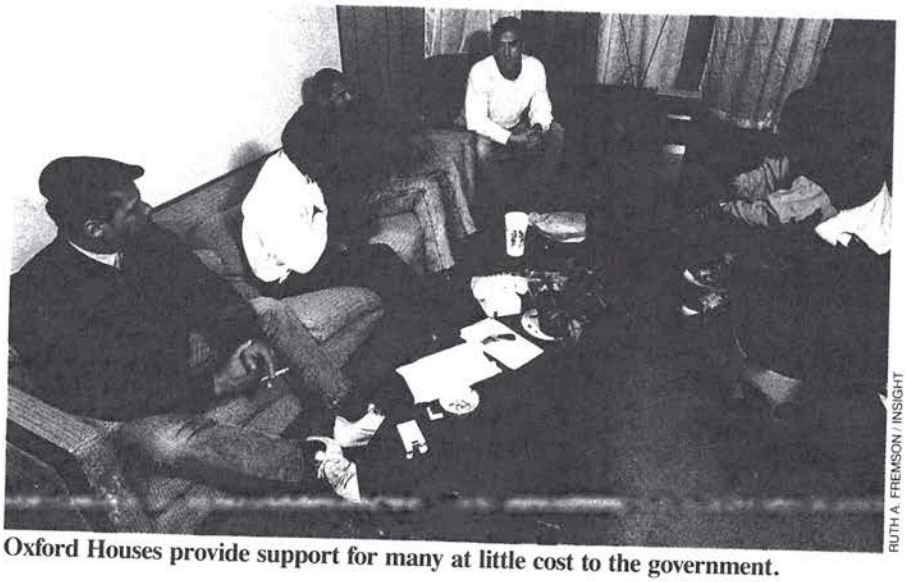
Edwin W. Holden, now an attorney for the Federal Energy Regulatory Commission, is another cofounder of Oxford House. "I have a feeling that John felt threatened by Paul's plans for expanding Oxford House. Paul can do things that John can't. He has the organizational skills that take things beyond theory."

Oxford House is attractive politically because it serves 1,600 people at little cost to the federal government, $103,000 in fiscal 1989. It is also a boon to the states. In New Jersey, for example, facilities serving 67 persons were created through a $45,000 grant. To the state, the grant represents a one-time fee of $672 per bed.

Oxford House is not a treatment program. Like halfway houses, the facilities are places for recovering addicts to live and pull their lives together. Unlike the typical halfway house, where the cost per bed may be $20,000 per year, Oxford Houses are self-sustaining — residents cook, clean and pay the rent and other bills. All must work. In 1987, an in-house study of all current and former residents found that 80 percent had not relapsed.

Oxford House takes its name from the Oxford Group, an early 20th century religious movement that preached "world-changing through life-changing" and that strongly influenced the founders of Alcoholics Anonymous. Oxford House began as a Johnny Appleseed operation, with Molloy, O'Neill and Holden starting one house after another. The concept was that each would be self-run and self-supporting.

Molloy mustered support for the idea in 1988, when Congress passed the Anti-Drug Abuse Act. The legislation contained a requirement that states set up a revolving fund of $100,000 to provide loans for self-run, self-supported recovery houses. The



RUTH A. FREMSON / INSIGHT

Oxford Houses provide support for many at little cost to the government.

wording was taken from the Oxford House model. Molloy, who had been associate Republican counsel to the House Energy and Commerce Committee, lobbied Capitol Hill for the fund, working closely with Rep. Edward R. Madigan, the Illinois Republican who sponsored the amendment.

While the bill provided the loans to sow Oxford Houses, it also institutionalized the concept. No longer a mom-and-pop endeavor, Oxford House had a central office and a corporate structure. That led to the split with O'Neill, Molloy says. "O'Neill's image of expansion was that he and I would occasionally go out and start a house and have these new recovering alcoholics be grateful to John and Paul.

"My concept was that there's a lot of suffering alcoholics and drug addicts out there and no one is doing anything for them. Oxford House is something that's easily and cheaply replicated and it works." Molloy says he hopes that the revolving

Molloy with "success story" Griffin

funds will have provided loans for 1,000 Oxford Houses in the next 10 months.

In late 1988, relations were strained further when Oxford House approved a three-year business plan. The plan named Molloy chief executive officer and provided him with a $120,000 salary. O'Neill's salary was set in the same plan at $100,000. The plan passed on a 2-1 vote, with O'Neill opposing. "He wanted to be CEO, not me," says Molloy.

Oxford House's van der Burgh says Molloy's salary this year is pegged at $95,000. "But he doesn't take it." Last year Molloy received $39,000. Salaries are set high for accounting purposes and income is poured back into the operation, van der Burgh says. Asked how he was able to support his family in the suburbs of Washington as well as send three of his five children to college on just $39,000 a year, Molloy replies, "My wife's an attorney in the Commerce Department."

The $980,000 ADAMHA grant proposal was the final straw between Molloy and O'Neill. At issue was a plan to run demonstration houses for former offenders and recovering heroin addicts using methadone. The problem was methadone. Oxford House was opposed to allowing substance users into the program; although methadone is a treatment for heroin, it, too, is an addictive drug. But the demonstration houses were presented by the agency as a quid pro quo for providing funds.

In his letter, O'Neill claimed that in the days before Molloy applied for the grant, the board of directors had sent a registered letter revoking Molloy's authority as chief executive officer. O'Neill had convinced the board that Molloy was never elected CEO and had seized authority, appointing himself to the position. The argument echoed O'Neill's year-old objection to the business plan on which he had been outvoted. "Molloy's response," O'Neill wrote, "was to claim that he didn't receive the registered letter."

Molloy says the letter was never delivered. Bryan Lennon, chairman of the Oxford House board, says the letter was sent and a vote to revoke Molloy's powers was taken. But here there is confusion. What was revoked was a broad power of attorney that Molloy had used to negotiate the organization's not-for-profit status, before the current board was elected. The letter revoking his power of attorney did not alter his status as CEO, which meant he was still empowered to run the organization.

In the end, the board supported Molloy. "Molloy has cooperated with the board," Lennon says. "When he sees something is not going right, he'll pull back. We gave him holy hell about the methadone."

Van der Burgh says Molloy was never happy about ADAMHA's insistence that Oxford House become involved with methadone. But the money was crucial to Oxford House's plans. Molloy hoped to finesse the problem by insulating the organization from the demonstration houses, which would be kept separate, even in name. They would be called Cambridge Houses. The board accepted the change.

O'Neill charged in his letter that Molloy had stacked the board to gain its approval. "One member who spoke loudly about the need for change became a Molloy supporter after she took an Oxford House trip with him to the Virgin Islands," he wrote.

Oxford House attorney Thomas Patton replied in his letter to O'Neill that his intimations about the Virgin Islands trip were "especially obnoxious." Molloy describes such trips as "dog and pony shows" where "we simply tell people our program." He says, "The woman O'Neill's talking about is Andrea Griffin — an Oxford House success story."

Griffin, a member of the board's management committee, says the trip to the Virgin Islands had no bearing on her opinion regarding the methadone plan, which she "never wanted Oxford House to be affiliated with." Griffin says she was chosen to go on the trip because of her record. She has started two Oxford Houses for women, has served as a house president, treasurer and comptroller, and is now a board member. "I get a good reception from people when I tell my story," she says. She spent 21 years addicted to heroin.

The final irony may be that O'Neill's damaging letters were written on the letterhead of an organization calling itself the Oxford House Alumni Association. No such organization has been approved by the Oxford House board, Lennon says. And the telephone number supplied on the organization's letterhead turns out to be that of a voice mail system for an organization that makes no mention of Oxford House.

— Jeff Shear